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## OFFICE OF INSURANCE COMMISSIONER

## TECHNICAL ASSISTANCE ADVISORY

## T 03-01

TO: Authorized Property/Casualty Insurers

**ATTENTION:** President; State Filings Manager

**SUBJECT:** Rate Filings Related to Insurance Scoring (Credit Scoring)

**DATE:** January 16, 2003

The purpose of this advisory is to remind you of Washington's new requirements pertaining to insurance scoring, which is commonly referred to as "credit scoring." Under Engrossed Substitute House Bill 2544, passed by the 2002 Legislature, new requirements apply to insurers that use insurance scoring models for underwriting and/or rating personal lines policies. These requirements are now included in our Insurance Code as RCW 48.18.545 and RCW 48.19.035. These new statutes are being implemented under rules that were adopted in September 2002 as Chapter 284-24A WAC.

RCW 48.19.035 applies to all companies that use insurance scoring for personal lines insurance pricing. The law applies to all rating and tiering plans – regardless of whether the pricing is applied:

- By discounts or surcharges;
- In a single company rate-tiering structure; or
- By offering different rates within a group of companies.

At this time the June 30, 2003, effective date included in RCW 48.19.035(6) is particularly important. Any company that uses insurance scoring as a rating tool for personal lines must:

- File an insurance scoring model that complies with RCW 48.19.035(3);
- File rates based on that insurance scoring model, including a multivariate analysis as described in WAC 284-24A-045; and
- Implement this rate filing in time to apply to all new and renewal policies issued on or after June 30, 2003.

The timelines associated with this June 30 effective date are now relatively short. For example, if an insurer processes renewals 45 days before the effective date of the renewal policy, it must be ready to implement its new rate filing by May 15, 2003. Given the programming time needed to implement a rate change, some insurers may require approval of their rate filings in mid to late

April. In addition, all insurers will need to allow time for the rate review and approval process, as personal lines rates are filed under a prior approval system in Washington.

Therefore, we would strongly encourage you to submit these rate filings to us promptly. We believe that insurers that submit their filings to us by February 28, 2003, will have the best chance of complying with the June 30, 2003, effective date of the new law.

To the extent that our actuarial resources will allow, we will give priority to filings that are submitted for the purpose of complying with the June 30 effective date. We will also make use of e-mail and telephone communication to speed up the process. However, we cannot guarantee immediate approval, since we expect the filings to be relatively complex.

As always, we are available to answer questions and provide guidance on what is needed to improve the chances a filing will be promptly approved. If you have any questions, please contact senior actuary Lee Barclay at (360) 725-7115 or <a href="LeeB@oic.wa.gov">LeeB@oic.wa.gov</a>; actuarial analyst Jim Antush at (360) 725-7112 or <a href="JimA@oic.wa.gov">JimA@oic.wa.gov</a>; or actuarial analyst Eric Slavich at (360) 725-7137 or <a href="EricS@oic.wa.gov">EricS@oic.wa.gov</a>.

Our website, <a href="www.insurance.wa.gov">www.insurance.wa.gov</a>, also provides convenient access to this technical assistance advisory, the statutes and regulations it refers to, and other information that may be helpful to those who file rates and forms.